

**SOUTH CAROLINA DEPARTMENT OF
PROBATION, PAROLE AND PARDON SERVICES**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2020



Independent Accountant's Report on Applying Agreed-Upon Procedures

April 20, 2021

Mr. Jerry B. Adger, Director
South Carolina Department of Probation,
Parole and Pardon Services
Columbia, South Carolina

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the South Carolina Department of Probation, Parole and Pardon Services (the Department) for the fiscal year ended June 30, 2020. The Department's management is responsible for the systems, processes and behaviors related to financial activity.

The Department's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of understanding the systems, processes and behaviors related to financial activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Department for the year ended June 30, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the Department's management. Management of the Department has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

We are required to be independent of the Department and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the management of the South Carolina Department of Probation, Parole and Pardon Services and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor

Agreed-Upon Procedures - South Carolina Department of Probation, Parole and Pardon Services (N08)

Cash Receipts/Revenues

1. Haphazardly select five cash receipts transactions and inspect supporting documentation to determine:
 - Supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, and account classification.
 - Revenues/receipts were deposited in a timely manner, in compliance with Proviso 117.1 of the fiscal year 2020 Appropriation Act.
 - Both revenue collections and amounts charged are properly authorized by law and fee increases are in compliance with Proviso 117.7 of the fiscal year 2020 Appropriation Act.
 - Receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select three non-payroll disbursements and two victim restitution payments and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Department procedures and invoice(s) agree(s) with general ledger as to vendor, amount, invoice number, and date.
 - All supporting documents and approvals required by Department procedures are present and agree with the invoice.
 - The transaction is an expenditure of the Department.
 - The transaction is properly classified in the general ledger.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy and proper sales tax was calculated correctly.

We found no exceptions as a result of the procedures.

Payroll

3. Haphazardly select five employee payments during the fiscal year and:
 - Inspect the employee's payroll and/or personnel file for various forms, communications, etc., to determine that the person is an employee of the Department.
 - Agree gross pay to supporting documentation.

We found no exceptions as a result of the procedures.

Reporting Packages

4. Inspect fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Compare the Master Reporting Package Checklist to reporting packages that were submitted. Compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual.

5. In addition to the procedure on reporting packages above, perform the following:

- Grants and Contributions Revenue Reporting Package

Haphazardly select three grants and agree the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number to the South Carolina Enterprise Information System (SCEIS) general ledger and SCEIS *Display Grant Master*. In addition, recalculate the reported total receivables and deferred revenue.

- Prepaid Expenses Reporting Package

Agree amounts to the SCEIS *Yearend Reporting - Prepaid Expenses* report and Department prepared records. Haphazardly select five prepaid expenses and determine that the amounts were properly classified, calculated, and reported when compared to the SCEIS general ledger and invoices.

- Operating Leases Reporting Package

Agree amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting - Operating Lease Expense with Vendor* report and Department prepared records. Based on inspection of invoices and lease agreements, determine rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Five haphazardly selected contingent rental payments; (2) Five haphazardly selected rental payments from each remaining category; and (3) the lease on the building at 293 Greystone Boulevard on the Future Minimum Lease Payment (FMLP) Schedule to determine that it was reported accurately and to determine the FMLP reported amounts were properly classified, coded and calculated.

- Subsequent Events Questionnaire

Compare responses and required supplemental information to the SCEIS general ledger and Department prepared records. Determine vendor payable amounts reported on the Subsequent Events Accounts Payable Worksheet were properly classified, calculated, and reported and excluded from the original Accounts Payable Reporting Package submission.

Finding:

Calculation discrepancies associated with the building lease resulted in reported future minimum lease payments being understated by approximately \$94,000 on the Operating Leases Reporting Package.

Management's Response:

We agree with the finding. The Department has reviewed the lease agreement and calculations and will ensure that the corrected calculations will be included in the 2021 Reporting Package.

Assets and Personal Property

6. Through inquiry of management and inspection of supporting documentation, determine that an inventory of Department property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

Finding:

The Department was not able to complete the property inventory as required by South Carolina Code of Laws Section 10-1-140 and Department policy.

Management's Response:

We agree with the finding. Due to Covid-19 restrictions and staff telecommuting, the required inventory count of property for FY20 would have significantly placed staff at risk. The Department will ensure that the count for FY21 will be completed prior to June 30, 2021.

Status of Prior Findings

7. Through inquiry of management and inspection of supporting documentation, determine if the Department has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We determined that the Department has taken adequate corrective action on each of the findings, except as noted in the finding below.

Finding:

Similar to the finding reported in the prior year, the Office of the State Auditor was not notified of Department inventory dates as required by Inventory Reporting Package instructions.

Management's Response:

We agree with the finding. While resources were not adequate to complete the required inventory of Department equipment as explained in the previous finding, resources were mobilized to safely complete the inventory of supplies required for financial reporting purposes. Unfortunately, the Department did not notify the State Auditor of the Inventory Physical Count date in FY20. However, the Department has put protocols in place to ensure that the reporting and notification requirements related to the year-end inventory are completed as required.